

Kennecott
Utah Copper
P.O. Box 525
Bingham Canyon, Utah 84006-0525
(801) 569-6555

17/035/002

Michael H. Gibson
Director, Environmental Affairs

Kennecott

April 6, 1990

RECEIVED
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DIVISION OF
OIL, GAS & MINING

Mr. Lowell Braxton
Associate Director
State of Utah Department of Natural Resources
Division of Oil, Gas & Mining
3 Triad Center, Suite 350
Salt Lake City, UT 84180-1203

Subject: Kennecott Copperton Concentrator Fourth Mill Line
Expansion -- Amended NOI, Reclamation Contract and
Letter of Credit

Dear Mr. Braxton:

Kennecott Utah Copper Corporation (KUC) submitted a Notice of Intention (NOI) to amend mining operations to the Utah Division of Oil, Gas and Mining (DOGM) on February 9, 1990 to cover the proposed expansion of the Copperton concentrator. Subsequently, on March 23, 1990, revisions were made to the NOI based upon discussions with your staff regarding topsoil for final reclamation. Further discussions on this issue with your staff have required additional revisions to page 10 and Table 3 (reclamation cost estimate) of the NOI document. The reclamation cost estimate has been increased from \$4,580,000 to \$5,017,000. Please find attached two copies of the revised pages which should replace the corresponding pages in your copies of the NOI document.

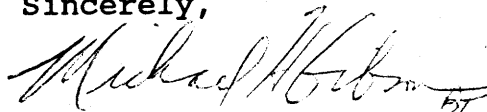
Also, please find attached the reclamation contract which has attached to it as exhibit B the letter of credit in the amount of \$5,017,000. KUC understands that with the submittal of these items to DOGM, this matter can now be included on the agenda to be considered before the Board at the meeting scheduled for April 26, 1990.

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Mr. Lowell Braxton
April 6, 1990
Page 2

Thank you very much for your attention to this matter. If you have any questions or require any additional information, please do not hesitate to call.

Sincerely,

A handwritten signature in cursive script, appearing to read "Michael H. Gibson". The signature is written in dark ink and is positioned above the printed name and title.

Michael H. Gibson
Director, Environmental Affairs

MHG:bt

cc: Wayne Hedberg, DOGM
Holland Sheppard, DOGM

KUC did not store any first horizon soil for final reclamation use for the Copperton Modernization Project. Instead, following construction, a test program was established to determine techniques for best reclaiming the second horizon soil to a vegetative support level equivalent to the nearby undeveloped areas. The information collected by the test program, as discussed in Section V C, will be used along with other appropriate input, to determine the detailed final reclamation procedures for the facilities and areas associated with the Copperton Modernization Project following permanent closure.

KUC intends to stockpile topsoil for final reclamation of the areas (85 acres) to be permitted for this amendment associated with the Copperton concentrator fourth mill line expansion. The upper horizon soil will be scraped from the site after grubbing and clearing has occurred and will be stored in two stockpiles in the areas as shown on Dwg. Nos. 271-SKC-116, Rev. D and 271-SKC-120, Rev. B. A portion of each topsoil stockpile will be used for both final and post-construction reclamation as shown on Figure 2. For final reclamation approximately 62,000 cubic yards will be stored in the stockpile immediately north of the proposed tailings thickeners and approximately 16,000 cubic yards will be stored in the stockpile immediately north of the temporary batch plant. A total of 78,000 cubic yards of topsoil will be stockpiled for final reclamation. Precipitation runoff will be directed around the stockpiles and a silt control fence will be constructed to prevent the escape of fine particulate matter from the stockpile. KUC will place the topsoil from these stockpiles onto the areas to be reclaimed following permanent closure of the facilities proposed in this amendment. A minimum of 0.5 feet of topsoil material will be redistributed at final reclamation. This depth will range from 0.5 to 1.0 foot depending on terrain. Some of the steeper embankments may receive less than one foot of soil, if stability is limited. A 30,000 cubic yard pre-existing topsoil stockpile, directly west of the future topsoil stockpile, can be used as reserve topsoil material and can be applied if necessary during final reclamation.

A few facilities will remain after final reclamation as indicated in the final reclamation plan for the Phase II Copperton Modernization Project. The two pipelines will remain in place for use in diverting area surface flows from the populated areas east of the site. The pipeline and conveyor service roads will remain in place to permit pipeline access.

KUC formally requested a variance on July 1, 1986 to Rule M-10(7) for the ore slurry pipeline, the return water pipeline, the service road paralleling the pipelines, the service road in the ore conveyor

TABLE 3

SITE RECLAMATION ESTIMATE FOR BOND ESTIMATING
COPPERTON CONCENTRATOR FOURTH MILL LINE EXPANSION

<u>ITEM</u>	<u>AMOUNT</u>
1. <u>POST-CONSTRUCTION REVEGETATION</u>	
Prepare and Plant Site	\$ 64,000
Contingency	<u>6,000</u>
Sub-total	<u>70,000</u>
2. <u>POST-MINING RECLAMATION</u>	
Demolish and Dismantle Structures (See Table 5 through 15 for detail)	2,530,000
Load and Ship Material (See Table 16 for detail)	1,484,000
Prepare and Plant Site (See Table 17)	<u>85,000</u>
Sub-total	4,099,000
Contingency	<u>411,000</u>
Sub-total	4,510,000
Sub-total (includes 1 above)	4,580,000
Escalation (1.84% for 5 years)	<u>437,100</u>
<u>TOTAL</u>	<u>5,017,100</u>
<u>ROUNDED TOTAL (1995 \$)</u>	<u>\$5,017,000</u>

Note: Total excludes credit for salvage value.

FORM MR-RC
Revised 2/17/89
RECLAMATION CONTRACT

File Number M/035/002
Effective Date _____

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
(801) 538-5340

RECLAMATION CONTRACT

---oo0oo---

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.) M/035/002
(Mineral Mined) Copper and other minerals associated with copper

"MINE LOCATION":

(Name of Mine)
(Description)

4th Line Expansion of the Copperton Concentrator
Modernization Project
Salt Lake County

"DISTURBED AREA":

(Disturbed Acres)
(Legal Description)

117 Acres

Exhibit A

"OPERATOR":

(Company or Name)
(Address)

Kennecott Utah Copper
P. O. Box 525
Bingham Canyon, UT 84006-0525

(Phone No.)

801 - 569-6000

"OPERATOR'S REGISTERED AGENT":

(Name)

(Address)

(Phone No.)

Roderick K. Davey

Vice President & General Manager

~~Kennecott Utah Copper~~

P. O. Box 525

Bingham Canyon, UT 84006-0525

801 - 569-6000

"OPERATOR'S OFFICER(S)":

Roderick K. Davey

Vice President & General Manager

~~Kennecott Utah Copper~~

P. O. Box 525

Bingham Canyon, UT 84006-0525

"SURETY":

(Form of Surety - Exhibit B)

Letter of Credit

"SURETY COMPANY":

(Name, Policy or Acct. No.)

N.A.

"SURETY AMOUNT":

(Escalated Dollars)

5,017,000

"ESCALATION YEAR"

1995

"STATE":

State of Utah

"DIVISION":

Division of Oil, Gas and Mining

"BOARD":

Board of Oil, Gas and Mining

EXHIBITS:

Revision Dates:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between Operator and the Board.

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. M/035/002 which has been approved by the Division under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim the Disturbed Area in accordance with Operator's approved Reclamation Plan and Operator is obligated to provide surety in form and amount approved by the Board, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Board and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the Notice of Intention, and the Reclamation Plan.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Board, which surety is in the form of the surety attached hereto as Exhibit B and made a part hereof. The surety shall remain in full force and effect according to its terms unless modified by the Board in writing. If the surety contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the reclamation bond, the Operator shall provide a replacement bond in a form and amount acceptable to the Board. If the Operator fails to so provide an acceptable replacement bond, the Division may order the Operator to cease further mining activities and to begin reclamation of the site.

3. Operator agrees to pay public liability and property damage claims resulting from mining as determined by the Board or the Division, to the extent provided in the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, and the Reclamation Plan.
5. The Operators liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention and the Reclamation Plan.
6. Operator agrees to indemnify and hold harmless the State, Board and Division from any claim, demand, liability, cost charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents, and employees, or contractor to comply with this Contract.
7. Operator may, at any time, submit a request to the Board to substitute surety. The Board, in its sole judgment and discretion, may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
8. This Contract shall be governed and construed in accordance with the laws of the State.
9. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including attorneys fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.

10. Any breach of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Division, or Board, as appropriate, may revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety, or take such other action as is authorized by law.
11. In the event of forfeiture of the Surety, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
12. This Contract represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.
13. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

SO AGREED this _____ day of _____ 19____.

APPROVED AS TO FORM AND AMOUNT OF SURETY:

By _____
Chairman, Board of Oil, Gas and Mining

DIVISION OF OIL, GAS AND MINING:

By _____
Director Date

STATE OF _____)
) ss:
COUNTY OF _____)

On the _____ day of _____, 19____, personally
appeared before me, who being by me duly sworn did say that he/she,
the said _____ is the Director
of the Division of Oil, Gas and Mining, Department of Natural
Resources, State of Utah, and he/she duly acknowledged to me that
he/she executed the foregoing document by authority of law on behalf
of the State of Utah.

Notary Public

Residing at: _____

My Commission Expires:

OPERATOR:

By Roderick K. Davey - Gen. Mgr. U.S.P.
Corporate Officer - Position

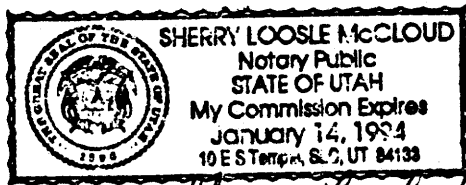
April 6, 1990
Date

STATE OF Utah)

COUNTY OF Salt Lake)

ss.

On the 6th day of April, 1990, personally
appeared before me Roderick K. Davey who being by
me duly sworn did say that he she, the said Operator/Corporate Officer
is the Gen Manager & Vice President of Kennecott Utah Corporation
and duly acknowledged that said instrument was signed on behalf of
said company by authority of its bylaws or a resolution of its board
of directors and said
Roderick K. Davey duly acknowledged to me that said
company executed the same.



Sherry Loosle McCloud
Notary Public
Residing at: Salt Lake County

Sherry Loosle McCloud
My Commission Expires: January 14, 1994

Surety Company

Date _____

STATE OF _____)
)
) **ss:**
COUNTY OF _____)

On the _____ day of _____, 19____, personally appeared before me _____ who being by me duly sworn did say that he/she, the said _____ is the _____ of _____ and duly acknowledged that said instrument was signed on behalf of said company by authority of its bylaws or a resolution of its board of directors and said _____ duly acknowledged to me that said company executed the same.

Residing at:

NOTE: An Affidavit of Qualification must be completed and attached to this form for each authorized agent or officer. Where one signs by virtue of Power of Attorney for a company, such Power of Attorney must be filed with this Contract.

Exhibit A

The legal description of Kennecott Utah Copper's Copperton Concentrator is as follows:

- 1) SW 1/4 of Section 5 T3S, R2W, SLBM
- 2) SE 1/4 of Section 6
- 3) W 1/2 of Section 8

The activity referred to in this Notice of Intent is included in No. 1 above.

First Security Bank of Utah

NATIONAL ASSOCIATION
INTERNATIONAL BANKING

IRREVOCABLE STANDBY LETTER OF CREDIT NO. ~~4000000000~~

ISSUED IN Salt Lake City, Utah on 06 APR 1990

APPLICANT:

Kennecott Utah Copper Corporation
P.O. Box 11248
Salt Lake City, Utah 84147

BENEFICIARY:

Utah Division of Oil, Gas and
Mining
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203

AMOUNT: USD ***5,017,000.00
FIVE MILLION SEVENTEEN THOUSAND
AND 00/100 UNITED STATES DOLLARS

DATE AND PLACE OF EXPIRY:
04 APR 1991
Our Counters

Gentlemen and Ladies:

1. First Security Bank of Utah, N.A., Salt Lake City, Utah hereby establishes this irrevocable letter of credit (the "Letter of Credit") in favor of the Utah Division of Oil, Gas and Mining ("Division") for an aggregate amount not to exceed \$5,017,000.00 (reclamation cost estimate) in United States dollars ("Face Amount") effective immediately.

2. This Letter of Credit will expire upon the earlier to occur of (a) 5.00 o'clock p.m. (Salt Lake City time) on April 4, 1991 (expiration date) and (b) the date upon which First Security Bank of Utah, N.A. receives notice from the Division that documents have been executed pursuant to which the Division releases Kennecott Utah Copper Corporation ("Operator") from liability for reclamation of Copperton Concentrator 4th Line Expansion which covers 117 acres covered under Notice of Intent dated 2-9-90 Permit #M/035/002.

3. This Letter of Credit will be automatically extended for successive periods of one year from the current or any future expiration date unless First Security Bank of Utah, N.A. gives notice to the Division at least 90 days prior to the expiration date that we elect not to renew the Letter of Credit.

4. Funds under the Letter of Credit are available against the Division's sight draft, in the form of Exhibit A, specifying Letter of Credit No. ~~4000000000~~ delivered to our counters at 15 East 100 South, Salt Lake City, Utah 84111. At the Division's sole election, the Division may present sight drafts for less than the Face Amount so long as the aggregate amount of all sight drafts does not exceed the Face Amount. Each draft must be accompanied by a certificate in the form of Exhibit B,

**First
Security
Bank
of Utah**

NATIONAL ASSOCIATION
INTERNATIONAL BANKING

L/C #: ~~XXXXXXXXXXXX~~
PAGE 2

purportedly signed by a duly authorized representative of the Division.

5. If First Security Bank of Utah, N.A. receives the Division's sight draft(s) and certificate(s) as provided in Paragraph No. 4 above on or before the expiration or termination of this Letter of Credit, we will make such amount as the Division may specify, within the limits of the second sentence of Paragraph No. 4 of this Letter of Credit, available to the Division no later than the close of business (Salt Lake City time) on the second business day following our receipt of the sight draft and certificate and in such a manner as the Division may specify.

6. This Letter of Credit will be governed by the laws of the State of Utah and except so far as otherwise expressly stated, this letter of credit is subject to the Uniform Customs and Practice for Documentary Credits, 1983 Revision, International Chamber of Commerce Publication No. 400 ("UCP"). In the event of a conflict between Utah law and the UCP, Utah law shall govern.

7. All communications regarding this Letter of Credit will be addressed to First Security Bank of Utah, N.A., International Department, 15 East 100 South, Salt Lake City, Utah referencing Letter of Credit No. S-06516-00026.

Margaret R. Magee
AUTHORIZED SIGNATURE(S)

EXHIBIT A

Date _____

City, County

Letter of Credit No.

PAY TO OURSELVES *

DOLLARS

TO:

Utah Division of Oil, Gas and Mining
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203

The Utah Division of Oil, Gas and Mining

Authorized Signature

*By wire transfer in United States dollars to: The Division of Oil, Gas and Mining.



Norman H. Bangerter
Governor
Dee C. Hansen
Executive Director
Dianne R. Nielson, Ph.D.
Division Director

State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
801-538-5340

EXHIBIT B

I, _____ a duly authorized representative of the Utah
Division of Oil, Gas and Mining, hereby certify that (1) the drawing in the amount of
\$ _____, by sight draft accompanying this certificate, under Letter of Credit No.
_____ dated _____ issued by you is permitted under the provision of the
Letter of Credit, (2) the Letter of Credit has neither expired nor terminated pursuant to its terms, and (3)
the amount of the sight draft, together with any amounts previously drawn under the Letter of Credit, does
not exceed the Face Amount. Proceeds of this drawing will be utilized in full to pay the expenses relating to
the reclamation liability for the _____ (mine), _____ (assigned
mine #).

The Utah Division of Oil, Gas and Mining

By: _____
Authorized Signature

Date _____

WMN/1-4